

Edgar Filing: Roadrunner Transportation Systems, Inc. - Form 10-Q

Roadrunner Transportation Systems, Inc.
Form 10-Q
August 03, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended June 30, 2015
Commission File Number 001-34734

ROADRUNNER TRANSPORTATION SYSTEMS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	20-2454942
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

4900 S. Pennsylvania Ave.	53110
Cudahy, Wisconsin	(Zip Code)
(Address of Principal Executive Offices)	
(414) 615-1500	
(Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past

90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 31, 2015, there were outstanding 38,265,485 shares of the registrant's Common Stock, par value \$.01 per share.

ROADRUNNER TRANSPORTATION SYSTEMS, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2015
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

ROADRUNNER TRANSPORTATION SYSTEMS, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)
 (In thousands)

	June 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$6,463	\$11,345
Accounts receivable, net of allowances of \$4,679 and \$4,209, respectively	311,303	284,379
Deferred income taxes	7,644	8,607
Prepaid expenses and other current assets	43,514	46,658
Total current assets	368,924	350,989
Property and equipment, net of accumulated depreciation of \$56,211 and \$47,629, respectively	168,084	146,850
Other assets:		
Goodwill	670,077	669,652
Intangible assets, net	75,786	79,878
Other noncurrent assets	10,614	10,451
Total other assets	756,477	759,981
Total assets	\$1,293,485	\$1,257,820
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current liabilities:		
Current maturities of long-term debt	\$10,000	\$10,000
Accounts payable	113,240	118,743
Accrued expenses and other liabilities	47,195	42,352
Total current liabilities	170,435	171,095
Long-term debt, net of current maturities	420,000	420,000
Other long-term liabilities	108,238	107,950
Total liabilities	698,673	699,045
Commitments and contingencies (Note 10)		
Stockholders' investment:		
Common stock \$.01 par value; 100,000 shares authorized; 38,260 and 37,925 shares issued and outstanding	383	379
Additional paid-in capital	396,683	390,725
Retained earnings	197,746	167,671
Total stockholders' investment	594,812	558,775
Total liabilities and stockholders' investment	\$1,293,485	\$1,257,820
See accompanying notes to unaudited condensed consolidated financial statements.		

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues	\$517,930	\$460,181	\$1,006,900	\$842,211
Operating expenses:				
Purchased transportation costs	346,073	315,334	674,564	579,352
Personnel and related benefits	65,794	50,109	127,849	93,041
Other operating expenses	67,286	62,059	132,031	112,778
Depreciation and amortization	7,535	5,726	14,412	10,469
Acquisition transaction expenses	—	—	—	379
Total operating expenses	486,688	433,228	948,856	796,019
Operating income	31,242	26,953	58,044	46,192
Interest expense	4,373	2,859	8,982	5,109
Income before provision for income taxes	26,869	24,094	49,062	41,083
Provision for income taxes	10,398	9,326	18,987	15,901
Net income available to common stockholders	\$16,471	\$14,768	\$30,075	\$25,182
Earnings per share available to common stockholders:				
Basic	\$0.43	\$0.39	\$0.79	\$0.67
Diluted	\$0.42	\$0.38	\$0.76	\$0.64
Weighted average common stock outstanding:				
Basic	38,170	37,868	38,090	37,779
Diluted	39,524	39,330	39,432	39,254

See accompanying notes to unaudited condensed consolidated financial statements.

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ROADRUNNER TRANSPORTATION SYSTEMS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended	
	June 30,	2014
	2015	2014
Cash flows from operating activities:		
Net income	\$30,075	\$25,182
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	15,511	11,291
Loss (gain) on disposal of property and equipment	50	(136)
Share-based compensation	1,621	1,123
Provision for bad debts	1,044	905
Excess tax benefit on share-based compensation	(1,191)	(1,366)
Deferred tax provision	1,366	3,234
Changes in:		
Accounts receivable	(27,968)	(36,769)
Prepaid expenses and other assets	2,392	615
Accounts payable	(5,502)	885
Accrued expenses and other liabilities	2,565	(1,460)
Net cash provided by operating activities	19,963	3,504
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	(87)	(100,810)
Capital expenditures	(27,714)	(20,463)
Proceeds from sale of buildings and equipment	1,996	2,843
Net cash used in investing activities	(25,805)	(118,430)
Cash flows from financing activities:		
Borrowings under revolving credit facilities	96,807	184,868
Payments under revolving credit facilities	(91,807)	(62,019)
Long-term debt payments	(5,000)	(4,375)
Debt issuance cost	(8)	108
Payments of contingent earnouts	(3,317)	(4,804)
Proceeds from issuance of common stock, net of issuance costs	3,150	2,727
Excess tax benefit on share-based compensation	1,191	1,366
Reduction of capital lease obligation	(56)	(42)
Net cash provided by financing activities	960	117,829
Net (decrease) increase in cash and cash equivalents	(4,882)	2,903
Cash and cash equivalents:		
Beginning of period	11,345	5,438
End of period	\$6,463	\$8,341
Supplemental cash flow information:		
Cash paid for interest	\$7,897	\$4,425
Cash paid for income taxes, net	\$9,080	\$6,914
Non-cash capital leases and other obligations to acquire assets	\$6,476	\$1,018

See accompanying notes to unaudited condensed consolidated financial statements.

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Roadrunner Transportation Systems, Inc. and Subsidiaries

Notes to Unaudited Condensed Consolidated Financial Statements

1. Organization, Nature of Business and Significant Accounting Policies

Nature of Business

Roadrunner Transportation Systems, Inc. (the “Company”) is headquartered in Cudahy, Wisconsin and has the following three operating segments: truckload logistics (“TL”), less-than-truckload (“LTL”), and transportation management solutions (“TMS”). Within its TL business, the Company operates a network of 46 TL service centers, five freight consolidation and inventory management centers, and 24 company dispatch offices and is augmented by over 100 independent brokerage agents. Within its LTL business, the Company operates 45 LTL service centers throughout the United States, complemented by relationships with over 160 delivery agents. Within its TMS business, the Company operates from 11 service centers and nine dispatch offices throughout the United States. From pickup to delivery, the Company leverages relationships with a diverse group of third-party carriers to provide scalable capacity and reliable, customized service, including domestic and international air and ocean transportation services, to its customers. The Company operates primarily in the United States.

Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). All intercompany balances and transactions have been eliminated in consolidation. In the Company's opinion, these financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the operations for the interim periods presented. Interim results are not necessarily indicative of results for a full year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Segment Reporting

The Company determines its operating segments based on the information utilized by the chief operating decision maker, the Company's Chief Executive Officer, to allocate resources and assess performance. Based on this information, the Company has determined that it has three operating segments, which are also its reportable segments: TL, LTL, and TMS.

New Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606), which is effective for the Company in 2017. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company is in the process of evaluating the guidance in this Accounting Standards Update and has not yet determined if the adoption of this guidance will have a material impact on the Company's consolidated financial statements.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30), which is effective for the Company in 2016 and must be applied retrospectively for all periods presented.

This guidance simplifies the presentation of debt issuance costs. Under the revised Accounting Standard, the Company would be required to present debt issuance costs related to a recognized debt liability in the balance sheet as a direct deduction from the carrying amount of that debt liability. Amortization of the debt issuance costs should be reported as interest expense. The Accounting Standards Update does not affect the recognition and measurement for debt issuance costs. Early adoption of the revised Accounting Standard is permitted. The Company is in the process of evaluating the guidance and has not yet determined if the adoption of this guidance will have a material impact on the Company's consolidated financial statements.

In April 2015, the FASB issued Accounting Standards Update No. 2015-05, Intangibles-Goodwill and Other - Internal-Use Software (Subtopic 350-40), which is effective for the Company in 2016 and can be applied

prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. This update provides guidance to help companies evaluate the accounting for fees paid by a customer in a cloud computing arrangement such as software as a service, infrastructure as a service, or other hosting arrangements. If a cloud computing arrangement includes a license to internal-use software, then the customer should account for the software license consistent with the acquisition of other software licenses. If a cloud computing

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arrangement does not include a software license, the customer should account for the arrangement as a service contract. The Company is in the process of evaluating the guidance and has not yet determined if the adoption of this guidance will have a material impact on the Company's consolidated financial statements.

2. Acquisitions

On February 24, 2014, the Company acquired all of the outstanding stock of Rich Logistics and Everett Transportation Inc. and certain assets of Keith Everett (collectively, "Rich Logistics") for the purpose of expanding its current market presence in the TL segment. Cash consideration paid was \$46.5 million. The acquisition was financed with borrowings under the Company's credit facility discussed in Note 5.

On March 14, 2014, the Company acquired all of the outstanding stock of Unitrans, Inc. ("Unitrans") for the purpose of expanding its current market presence in the TMS segment. Cash consideration paid was \$53.3 million. The acquisition was financed with borrowings under the Company's credit facility discussed in Note 5.

On July 18, 2014, the Company acquired all of the outstanding stock of ISI Acquisition Corp. (which wholly owns Integrated Services, Inc. and ISI Logistics Inc.) and ISI Logistics South, Inc. (collectively, "ISI") for the purpose of expanding its current market presence in the TL segment. Cash consideration paid was \$13.0 million. The acquisition was financed with borrowings under the Company's credit facility discussed in Note 5.

On August 27, 2014, the Company acquired all of the outstanding stock of Active Aero Group Holdings, Inc. ("Active Aero") for the purpose of expanding its presence within the TL segment. Cash consideration paid was \$118.1 million. The acquisition was financed with borrowings under the Company's credit facility discussed in Note 5.

The acquisitions of Rich Logistics, Unitrans, ISI, and Active Aero (collectively, "2014 acquisitions") are considered individually immaterial, but material in the aggregate. The following table summarizes the allocation of the purchase price paid to the fair value of the net assets for the 2014 acquisitions in the aggregate (in thousands):

	2014 Acquisitions
Accounts receivable	\$68,128
Other current assets	7,660
Property and equipment	31,065
Goodwill	152,349
Customer relationship intangible assets	54,347
Accounts payable and other liabilities	(82,644)
Total	\$230,905

The goodwill for the acquisitions, in the aggregate, is a result of acquiring and retaining the existing workforces and expected synergies from integrating the operations into the Company. Goodwill associated with the 2014 acquisitions will not be deductible for tax purposes. Purchase accounting is considered final for the 2014 acquisitions of Rich Logistics and Unitrans. Purchase accounting is considered final for the 2014 acquisitions of ISI and Active Aero except for deferred taxes, goodwill, and with respect to certain long-term asset valuations as financial information was not available as of June 30, 2015.

From the dates of acquisition through June 30, 2014, the 2014 acquisitions contributed revenues of \$61.7 million and \$82.0 million for the three and six months ended June 30, 2014, respectively, and contributed net income of \$3.1 million and \$5.1 million for the three and six months ended June 30, 2014, respectively, before the incremental acquisition transaction expenses associated with each acquisition. The following supplemental unaudited pro forma financial information of the Company for the three and six months ended June 30, 2014 includes the results of operations for the 2014 acquisitions, in the aggregate, as if the acquisitions had been completed on January 1, 2014 (in thousands).

	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
Revenues	\$525,337	\$1,021,699
Net income	\$15,978	\$30,386

The supplemental unaudited pro forma financial information above is presented for informational purposes only. It is not intended to project the future financial position or operating results of the combined company.

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3. Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price of all acquisitions over the estimated fair value of the net assets acquired. The Company performs an impairment test of goodwill annually as of July 1. The 2014 impairment test did not result in any impairment losses. There is no goodwill impairment for any of the periods presented in the Company's condensed consolidated financial statements.

The following is a rollforward of goodwill from December 31, 2014 to June 30, 2015 by reportable segment (in thousands):

	TL	LTL	TMS	Total
Goodwill balance as of December 31, 2014	\$319,051	\$197,312	\$153,289	\$669,652
Adjustments to goodwill for purchase accounting	425	—	—	425
Goodwill balance as of June 30, 2015	\$319,476	\$197,312	\$153,289	\$670,077

Intangible assets consist primarily of customer relationships acquired from business acquisitions. Intangible assets as of June 30, 2015 and December 31, 2014 were as follows (in thousands):

	June 30, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
TL	\$60,173	\$(11,037)	\$49,136	\$60,173	\$(8,356)	\$51,817
LTL	1,358	(983)	375	1,358	(950)	408
TMS	31,522	(5,247)	26,275	31,522	(3,869)	27,653
Total	\$93,053	\$(17,267)	\$75,786	\$93,053	\$(13,175)	\$79,878

The customer relationships intangible assets are amortized over their estimated five to 12 year useful lives.

Amortization expense was \$2.0 million and \$1.0 million for the three months ended June 30, 2015 and 2014, respectively, and \$4.1 million and \$1.9 million for the six months ended June 30, 2015 and 2014, respectively.

Estimated amortization expense for each of the next five years based on intangible assets as of June 30, 2015 is as follows (in thousands):

Remainder 2015	\$4,092
2016	8,205
2017	8,085
2018	7,821
2019	7,517
2020	7,145
Thereafter	32,921
Total	\$75,786

4. Fair Value Measurement

Accounting guidance on fair value measurements for certain financial assets and liabilities requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1 — Quoted market prices in active markets for identical assets or liabilities.

Level 2 — Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3 — Unobservable inputs reflecting the reporting entity's own assumptions or external inputs from inactive markets.

A financial asset's or liability's classification within the hierarchy is determined based on the lowest level of input that is significant to the fair value measurement.

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The contingent purchase price related to acquisitions is measured at fair value on a recurring basis, according to the valuation techniques the Company used to determine fair value. The following table presents information, as of June 30, 2015 and December 31, 2014, about the Company's financial liabilities (in thousands):

	June 30, 2015			Fair Value
	Level 1	Level 2	Level 3	
Contingent purchase price related to acquisitions	\$—	\$—	\$3,481	\$3,481
Total liabilities at fair value	\$—	\$—	\$3,481	\$3,481
	December 31, 2014			Fair Value
	Level 1	Level 2	Level 3	
Contingent purchase price related to acquisitions	\$—	\$—	\$7,665	\$7,665
Total liabilities at fair value	\$—	\$—	\$7,665	\$7,665

In measuring the fair value of the contingent purchase price liability, the Company used an income approach that considers the expected future earnings of the acquired businesses based on historical performance and the resulting contingent payments, discounted at a risk-adjusted rate.

The table below sets forth a reconciliation of the Company's beginning and ending Level 3 financial liability balance for the three and six months ended June 30, 2015 and 2014 and the year ended December 31, 2014 (in thousands):

	Three Months Ended		Six Months Ended		Year Ended
	June 30, 2015	2014	June 30, 2015	2014	December 31, 2014
Balance, beginning of period	\$5,708	\$17,249	\$7,665	\$17,054	\$17,054
Payments of contingent purchase obligations	(1,360)	(4,804)	(3,317)	(4,804)	(4,804)
Adjustments to contingent purchase obligations	(867)	(719)	(867)	(524)	(4,585)
Balance, end of period	\$3,481	\$11,726	\$3,481	\$11,726	\$7,665

5. Long-Term Debt

Long-term debt as of June 30, 2015 and December 31, 2014 consisted of the following (in thousands):

	June 30, 2015	December 31, 2014
Senior debt:		
Revolving credit facility	\$240,000	\$235,000
Term loan	190,000	195,000
Total debt	430,000	430,000
Less: Current maturities	(10,000)	(10,000)
Total long-term debt, net of current maturities	\$420,000	\$420,000

On July 9, 2014, the Company entered into a fifth amended and restated credit agreement (the "credit agreement") with U.S. Bank National Association and other lenders, which increased the revolving credit facility from \$200.0 million to \$350.0 million and the term loan from \$175.0 million to \$200.0 million. The credit facility matures on July 9, 2019. Principal on the term loan is due in quarterly installments of \$2.5 million. The Company categorizes the borrowings under the credit agreement as Level 2 in the fair value hierarchy as defined in Note 4. The carrying value of the Company's long-term debt approximates fair value as the debt agreement bears interest based on prevailing variable market rates currently available. The credit agreement is collateralized by all assets of the Company and contains certain financial covenants, including a minimum fixed charge coverage ratio and a maximum cash flow leverage ratio. Additionally, the credit agreement contains negative covenants limiting, among other things, additional indebtedness, capital expenditures, transactions with affiliates, additional liens, sales of assets, dividends, investments, advances, prepayments of debt, mergers and acquisitions, and other matters customarily restricted in such agreements. The current debt agreement prohibits the Company from paying dividends without the consent of the lenders. Borrowings under the credit agreement bear interest at either (a) the Eurocurrency Rate (as defined in the credit

agreement), plus an applicable margin in the range of 2.0% to 3.0%, or (b) the Base Rate (as defined in the credit agreement), plus an applicable margin in the range of 1.0% to 2.0%. The revolving credit facility also provides for the issuance of up to \$30.0 million in letters of credit. As of June 30, 2015,

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the Company had outstanding letters of credit totaling \$20.7 million. As of June 30, 2015, total availability under the revolving credit facility was \$89.3 million and the average interest rate on the credit agreement was 3.2%.

6. Stockholders' Investment

Changes in stockholders' investment for the three and six months ended June 30, 2015 and 2014 consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Beginning balance	\$575,325	\$514,694	\$558,775	\$500,365
Net income	16,471	14,768	30,075	25,182
Share-based compensation	825	642	1,621	1,123
Issuance of common stock from share-based compensation	1,811	325	3,150	2,727
Excess tax benefit on share-based compensation	380	335	1,191	1,367
Ending balance	\$594,812	\$530,764	\$594,812	\$530,764

7. Earnings Per Share

Basic earnings per common share is calculated by dividing net income available to common stockholders by the weighted average number of shares of common stock outstanding during the period. For the three and six months ended June 30, 2015 and 2014, diluted earnings per share was calculated by dividing net income available to common stockholders by the weighted average common stock outstanding plus stock equivalents that would arise from the assumed exercise of stock options, the conversion of warrants, and the delivery of stock underlying restricted stock units using the treasury stock method. There is no difference, for any of the periods presented, in the amount of net income available to common stockholders used in the computation of basic and diluted earnings per share.

As of June 30, 2015 and 2014, all stock options, warrants, and restricted stock units were included in the computation of diluted earnings per share. The following table reconciles basic weighted average common stock outstanding to diluted weighted average common stock outstanding (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Basic weighted average common stock outstanding	38,170	37,868	38,090	37,779
Effect of dilutive securities				
Employee stock options	93	180	109	201
Warrants	1,220	1,238	1,180	1,220
Restricted stock units	41	44	53	54
Diluted weighted average common stock outstanding	39,524	39,330	39,432	39,254

8. Income Taxes

The effective income tax rate was 38.7% for both the three and six months ended June 30, 2015 and 2014. In determining the provision for income taxes, the Company used an estimated annual effective tax rate, which was based on expected annual income, statutory tax rates, and the Company's best estimate of non-deductible and non-taxable items of income and expense. Income tax expense varies from the amount computed by applying the federal corporate income tax rate of 35.0% to income before income taxes primarily due to state income taxes, net of federal income tax effect, and adjustments for permanent differences.

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9. Guarantees

The Company provides a guarantee for a portion of the value of certain independent contractors' ("IC") leased tractors. The guarantees expire at various dates through 2020. The potential maximum exposure under these lease guarantees was approximately \$17.8 million as of June 30, 2015. The potential maximum exposure represents the Company's commitment on remaining lease payments on guaranteed leases as of June 30, 2015. However, upon an IC default, the Company has the option to purchase the tractor or return the tractor to the leasing company if the residual value is greater than the Company's guarantee. Alternatively, the Company can contract another IC to assume the lease. There were no material IC defaults during the three and six months ended June 30, 2015 and 2014. Payments made by the Company under the guarantees were de minimis for the three and six months ended June 30, 2015 and 2014. No liability related to these lease guarantees was recorded as of June 30, 2015 or December 31, 2014.

10. Commitments and Contingencies

In the ordinary course of business, the Company is a defendant in several legal proceedings arising out of the conduct of its business. These proceedings include claims for property damage or personal injury incurred in connection with the Company's services. Although there can be no assurance as to the ultimate disposition of these proceedings, the Company does not believe, based upon the information available at this time, that these property damage or personal injury claims, in the aggregate, will have a material impact on its consolidated financial statements. The Company maintains liability insurance coverage for claims in excess of \$500,000 per occurrence and cargo coverage for claims in excess of \$100,000 per occurrence. The Company believes it has adequate insurance to cover losses in excess of the deductible amount. As of June 30, 2015 and December 31, 2014, the Company had reserves for estimated uninsured losses of \$5.9 million and \$5.8 million, respectively.

In addition to the legal proceedings described above, like many others in the transportation services industry, the Company is a defendant in three purported class-action lawsuits in California alleging violations of various California labor laws. The plaintiffs in each of these lawsuits seek to recover unspecified monetary damages and other items. In addition, the California Division of Labor Standards and Enforcement has brought administrative actions against the Company on behalf of six individuals alleging that the Company violated California labor laws. Given the early stage of all of the proceedings described in this paragraph, the Company is not able to assess with certainty the outcome of these proceedings or the amount or range of potential damages or future payments associated with these proceedings at this time. The Company believes it has meritorious defenses to these actions and intends to defend these proceedings vigorously. However, any legal proceeding is subject to inherent uncertainties, and the Company cannot assure you that the expenses associated with defending these actions or their resolution will not have a material adverse effect on its business, operating results, or financial condition.

11. Related Party Transactions

The Company has an advisory agreement with HCI Equity Management L.P. ("HCI") to pay transaction fees and an annual advisory fee of \$0.1 million. The Company paid an aggregate of \$0.1 million to HCI for the advisory fee and travel expenses during the three and six months ended June 30, 2015. No money was paid to HCI for the three and six months ended June 30, 2014.

12. Segment Reporting

The Company determines its operating segments based on the information utilized by the chief operating decision maker, the Company's Chief Executive Officer, to allocate resources and assess performance. Based on this information, the Company has determined that it has three operating segments, which are also its reportable segments: TL, LTL, and TMS.

These reportable segments are strategic business units through which the Company offers different services. The Company evaluates the performance of the segments primarily based on their respective revenues and operating income. Accordingly, interest expense and other non-operating items are not reported in segment results. In addition, the Company has disclosed a corporate segment, which is not an operating segment and includes acquisition transaction expenses, corporate salaries, and share-based compensation expense.

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The following table reflects certain financial data of the Company's reportable segments for the three and six months ended June 30, 2015 and 2014 and as of June 30, 2015 and December 31, 2014 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
TL	\$295,465	\$230,789	\$577,663	\$424,674
LTL	138,943	150,162	270,588	285,163
TMS	89,706	81,829	171,735	138,455
Eliminations	(6,184)	) (2,599	) (13,086	) (6,081
Total	517,930	460,181	1,006,900	842,211
Operating income:				
TL	\$20,538	\$16,061	\$36,443	\$28,026
LTL	8,367	7,931	17,026	14,676
TMS	7,680	6,089	13,511	9,565
Corporate	(5,343	) (3,128	) (8,936	) (6,075
Total operating income	31,242	26,953	58,044	46,192
Interest expense	4,373	2,859	8,982	5,109
Income before provision for income taxes	\$26,869	\$24,094	\$49,062	\$41,083
Depreciation and amortization:				
TL	\$5,465	\$3,602	\$10,178	\$6,784
LTL	737	962	1,572	1,619
TMS	996	749	1,997	1,467
Corporate	337	413	665	599
Total	\$7,535	\$5,726	\$14,412	\$10,469
Capital expenditures ^{(1) (2)} :				
TL	\$7,457	\$6,842	\$21,619	\$16,259
LTL	3,447	468	4,271	2,179
TMS	287	814	448	1,017
Corporate	7,166	1,156	7,852	2,026
Total	\$18,357	\$9,280	\$34,190	\$21,481

(1) The total capital expenditures for the three and six months ended June 30, 2015 and June 30, 2014 includes both cash and non-cash portions as reflected in the Condensed Consolidated Statements of Cash Flows.

Certain capital expenditures were reclassified between segments to conform with current period presentation. This (2) change in presentation had no effect on our prior year condensed consolidated results of operations, financial condition, or cash flows.

	June 30, 2015	December 31, 2014
Assets:		
TL	\$749,635	\$691,096
LTL	744,880	782,268
TMS	255,636	242,512
Corporate	12,082	4,919
Eliminations	(468,748) (462,975
	\$1,293,485	\$1,257,820

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13. Subsequent Events

On July 28, 2015, the Company acquired all of the outstanding partnership interests of Stagecoach Cartage and Distribution LP for a total purchase price of \$35.0 million, plus an earnout capped at \$5.0 million. The acquisition was financed with borrowings under the Company's credit facility discussed in Note 5.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our unaudited condensed consolidated financial statements and the related notes and other financial information included in this Quarterly Report on Form 10-Q. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2014. This discussion and analysis should also be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" relating to our results for the year ended December 31, 2014, set forth in our Annual Report on Form 10-K for the year ended December 31, 2014.

Overview

We are a leading asset-light transportation and logistics service provider offering a full suite of solutions, including truckload logistics ("TL"), customized and expedited less-than-truckload ("LTL"), transportation management solutions ("TMS"), intermodal solutions (transporting a shipment by more than one mode, primarily via rail and truck), freight consolidation, inventory management, on-demand expedited services, international freight forwarding, customs brokerage, and comprehensive global supply chain solutions. We utilize a broad third-party network of transportation providers, comprised of independent contractors ("ICs") and purchased power providers, to serve a diverse customer base in terms of end-market focus and annual freight expenditures. Although we service large national accounts, we primarily focus on small to mid-size shippers, which we believe represent an expansive and underserved market. Our business model is highly scalable and flexible, featuring a variable cost structure that requires minimal investment (as a percentage of revenues) in transportation equipment and facilities, thereby enhancing free cash flow generation and returns on our invested capital and assets.

We have three operating segments:

Truckload Logistics. Within our TL business, we arrange the pickup, delivery, freight consolidation, and inventory management of TL freight through our network of 46 TL service centers, five freight consolidation and inventory management centers, 24 company dispatch offices, and over 100 independent brokerage agents located throughout the United States and Canada. We offer temperature-controlled, dry van, intermodal drayage, and flatbed services and specialize in the transport of refrigerated foods, poultry, and beverages. We also offer on-demand expedited services. We believe this specialization provides consistent shipping volume year-over-year.

Less-than-Truckload. Our LTL business involves the pickup, consolidation, linehaul, deconsolidation, and delivery of LTL shipments throughout the United States and into Mexico, Puerto Rico, and Canada. With a network of 45 LTL service centers and over 160 third-party delivery agents, we employ a point-to-point LTL model that we believe serves as a competitive advantage over the traditional hub and spoke LTL model in terms of faster transit times, lower incidence of damage, and reduced fuel consumption.

Transportation Management Solutions. Within our TMS business, we offer a "one-stop" domestic and international transportation and logistics solution, including access to the most cost-effective and time-sensitive modes of transportation within our broad network. Specifically, our TMS offering includes pricing, contract management, transportation mode and carrier selection, freight tracking, freight bill payment and audit, cost reporting and analysis, and dispatch. Our customized TMS offering is designed to allow our customers to reduce operating costs, redirect resources to core competencies, improve supply chain efficiency, and enhance customer service. Our TMS segment also includes domestic and international air and ocean transportation services and customs brokerage.

Our success principally depends on our ability to generate revenues through our network of sales personnel and independent brokerage agents and to deliver freight in all modes safely, on time, and cost-effectively through a suite of solutions tailored to the needs of each customer. Customer shipping demand, over-the-road freight tonnage levels, and equipment capacity ultimately drive increases or decreases in our revenues. Our ability to operate profitably and generate cash is also impacted by purchased transportation costs, fuel costs, pricing dynamics, customer mix, and our ability to manage costs effectively. Within our TL business, we typically charge a flat rate negotiated on each load hauled. Within our LTL business, we typically generate revenues by charging our customers a rate based on shipment weight, distance hauled, and commodity type. This amount is typically comprised of a base rate, a fuel surcharge, and any applicable service fees. Within our TMS business, we typically charge a variable rate on each

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shipment, in addition to transaction or service fees appropriate for the solution we have provided to meet a specific customer's needs.

We incur costs that are directly related to the transportation of freight, including purchased transportation costs. We also incur indirect costs associated with the transportation of freight that include other operating costs, such as insurance, claims, and commission expenses. In addition, we incur personnel-related costs and other operating expenses, collectively discussed herein as other operating expenses, essential to administering our operations. We continually monitor all components of our cost structure and establish annual budgets, which are generally used to benchmark costs incurred on a monthly basis.

Purchased transportation costs within our TL business are generally based on negotiated rates for each load hauled. Purchased transportation costs within our LTL business represent amounts we pay to ICs or purchased power providers and are generally contractually agreed-upon rates. Within our TMS business, purchased transportation costs include payments made to our purchased power providers, which are generally contractually agreed-upon rates. Purchased transportation costs are the largest component of our cost structure. Our purchased transportation costs typically increase or decrease in proportion to revenues.

Our ability to maintain or grow existing tonnage levels is impacted by overall economic conditions, shipping demand, and over-the-road freight capacity in North America, as well as by our ability to compete effectively in terms of pricing, safety, and on-time delivery.

The pricing environment in the transportation industry also impacts our operating performance. Pricing within our TL business generally has fewer influential factors than pricing within our LTL business, but is typically driven by shipment frequency and consistency, length of haul, and customer and geographic mix. Our LTL pricing is typically measured by billed revenue per hundredweight, which is often referred to as "yield." Our LTL pricing is dictated primarily by factors such as shipment size, shipment frequency and consistency, length of haul, freight density, and customer and geographic mix. Since we offer both LTL and TL shipping as part of our TMS offering, pricing within our TMS segment is impacted by similar factors. The pricing environment for all of our operations generally becomes more competitive during periods of lower industry tonnage levels and increased capacity within the over-the-road freight sector.

The transportation industry is dependent upon the availability of adequate fuel supplies and the price of fuel. Fuel prices have fluctuated dramatically over recent years. Within our TL and TMS businesses, we pass fuel costs through to our customers. As a result, our operating income in these businesses is less impacted by changes in fuel prices. Within our LTL business, our ICs and purchased power providers pass along the cost of diesel fuel to us, and we in turn attempt to pass along some or all of these costs to our customers through fuel surcharge revenue programs. Although revenues from fuel surcharges generally offset increases in fuel costs, other operating costs have been, and may continue to be, impacted by fluctuating fuel prices. The total impact of higher energy prices on other nonfuel-related expenses is difficult to ascertain. We cannot predict future fuel price fluctuations, the impact of higher energy prices on other cost elements, recoverability of higher fuel costs through fuel surcharges, and the effect of fuel surcharges on our overall rate structure or the total price that we will receive from our customers. Depending on the changes in the fuel rates and the impact on costs in other fuel- and energy-related areas, our operating margins could be impacted.

Recent Acquisitions

On July 28, 2015, we acquired all of the outstanding partnership interests of Stagecoach Cartage and Distribution LP ("Stagecoach") for the purpose of expanding our presence within the TL segment. Headquartered in Texas, Stagecoach provides regional, intermodal, and over-the-road truckload services throughout the southwestern United States and Mexico. Stagecoach also provides warehousing and transloading solutions to customers through its network of strategically located facilities in southcentral and west Texas.

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Results of Operations

The following table sets forth, for the periods indicated, summary TL, LTL, TMS, corporate, and consolidated statement of operations data. Such revenue data for our TL, LTL, and TMS business segments are expressed as a percentage of consolidated revenues. Other statement of operations data for our TL, LTL, and TMS business segments are expressed as a percentage of segment revenues. Corporate and total statement of operations data are expressed as a percentage of consolidated revenues.

	Three Months Ended June 30, 2015				Six Months Ended June 30, 2015				2014			
	(In thousands, except for %'s)											
	\$	% of Revenues	\$	% of Revenues	\$	% of Revenues	\$	% of Revenues	\$	% of Revenues	\$	% of Revenues
Revenues:												
TL	\$295,465	57.0	%	\$230,789	50.2	%	\$577,663	57.4	%	\$424,674	50.4	%
LTL	138,943	26.8	%	150,162	32.6	%	270,588	26.9	%	285,163	33.9	%
TMS	89,706	17.3	%	81,829	17.8	%	171,735	17.1	%	138,455	16.4	%
Eliminations	(6,184)	(1.2 )	)%	(2,599)	(0.6 )	)%	(13,086)	(1.3 )	)%	(6,081)	(0.7))%
Total	517,930	100.0	%	460,181	100.0	%	1,006,900	100.0	%	842,211	100.0	%
Purchased transportation costs:												
TL	188,657	63.9	%	148,687	64.4	%	372,427	64.5	%	278,597	65.6	%
LTL	96,383	69.4	%	109,212	72.7	%	186,677	69.0	%	206,041	72.3	%
TMS	67,217	74.9	%	60,034	73.4	%	128,546	74.9	%	100,795	72.8	%
Eliminations	(6,184)	(1.2 )	)%	(2,599)	(0.6 )	)%	(13,086)	(1.3 )	)%	(6,081)	(0.7))%
Total	346,073	66.8	%	315,334	68.5	%	674,564	67.0	%	579,352	68.8	%
Other operating expenses ⁽¹⁾ :												
TL	80,805	27.3	%	62,439	27.1	%	158,615	27.5	%	111,267	26.2	%
LTL	33,456	24.1	%	32,057	21.3	%	65,313	24.1	%	62,827	22.0	%
TMS	13,813	15.4	%	14,957	18.3	%	27,681	16.1	%	26,628	19.2	%
Corporate	5,006	1.0	%	2,715	0.6	%	8,271	0.8	%	5,476	0.7	%
Total	133,080	25.7	%	112,168	24.4	%	259,880	25.8	%	206,198	24.5	%
Depreciation and amortization:												
TL	5,465	1.8	%	3,602	1.6	%	10,178	1.8	%	6,784	1.6	%
LTL	737	0.5	%	962	0.6	%	1,572	0.6	%	1,619	0.6	%
TMS	996	1.1	%	749	0.9	%	1,997	1.2	%	1,467	1.1	%
Corporate	337	0.1	%	413	0.1	%	665	0.1	%	599	0.1	%
Total	7,535	1.5	%	5,726	1.2	%	14,412	1.4	%	10,469	1.2	%
Operating income:												
TL	20,538	7.0	%	16,061	7.0	%	36,443	6.3	%	28,026	6.6	%
LTL	8,367	6.0	%	7,931	5.3	%	17,026	6.3	%	14,676	5.1	%
TMS	7,680	8.6	%	6,089	7.4	%	13,511	7.9	%	9,565	6.9	%
Corporate	(5,343)	(1.0 )	)%	(3,128)	(0.7 )	)%	(8,936)	(0.9 )	)%	(6,075)	(0.7))%
Total	31,242	6.0	%	26,953	5.9	%	58,044	5.8	%	46,192	5.5	%
Interest expense	4,373	0.8	%	2,859	0.6	%	8,982	0.9	%	5,109	0.6	%
Income before provision for income	26,869	5.2	%	24,094	5.2	%	49,062	4.9	%	41,083	4.9	%

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taxes

Provision for income taxes	10,398	2.0	%	9,326	2.0	%	18,987	1.9	%	15,901	1.9	%
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Net income available to common stockholders

	\$ 16,471	3.2	%	\$ 14,768	3.2	%	\$ 30,075	3.0	%	\$ 25,182	3.0	%
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(1) Reflects the sum of personnel and related benefits, other operating expenses, and acquisition transaction expenses.

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Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014

Revenues

Consolidated revenues increased by \$57.7 million, or 12.5%, to \$517.9 million during the second quarter of 2015 from \$460.2 million during the second quarter of 2014, the majority of which was attributable to the impact of our TL acquisitions of ISI and Active Aero.

TL revenues increased by \$64.7 million, or 28.0%, to \$295.5 million during the second quarter of 2015 from \$230.8 million during the second quarter of 2014, primarily due to the acquisitions of ISI and Active Aero.

LTL revenues decreased by \$11.3 million, or 7.5%, to \$138.9 million during the second quarter of 2015 from \$150.2 million during the second quarter of 2014. LTL revenues were impacted quarter-over-quarter by a drop in fuel prices that resulted in an \$8.6 million, or 32.2%, decrease in fuel surcharge revenue and an 11.4% reduction in tonnage primarily due to changes in freight mix. These decreases were partially offset by an 11.2% increase in revenue per hundredweight excluding fuel from the prior year second quarter due to improved pricing and positive freight mix changes resulting from our pricing initiatives.

TMS revenues increased by \$7.9 million, or 9.6%, to \$89.7 million during the second quarter of 2015 from \$81.8 million during the second quarter of 2014 due to organic revenue growth.

Purchased Transportation Costs

Consolidated purchased transportation costs increased by \$30.8 million, or 9.7%, to \$346.1 million during the second quarter of 2015 from \$315.3 million during the second quarter of 2014.

TL purchased transportation costs increased by \$40.0 million, or 26.9%, to \$188.7 million during the second quarter of 2015 from \$148.7 million during the second quarter of 2014. This increase was primarily the result of our TL acquisitions of ISI and Active Aero. TL purchased transportation costs as a percentage of TL revenues decreased to 63.9% during the second quarter of 2015 from 64.4% during the second quarter of 2014.

LTL purchased transportation costs decreased by \$12.8 million, or 11.7%, to \$96.4 million during the second quarter of 2015 from \$109.2 million during the second quarter of 2014, and decreased as a percentage of LTL revenues to 69.4% during the second quarter of 2015 from 72.7% during the second quarter of 2014, primarily as a result of the operational and pricing initiatives implemented in December 2014 that continued during the second quarter of 2015. Excluding fuel surcharges, our average linehaul cost per mile decreased to \$1.25 during the second quarter of 2015 from \$1.28 during the second quarter of 2014.

TMS purchased transportation costs increased by \$7.2 million, or 12.0%, to \$67.2 million during the second quarter of 2015 from \$60.0 million during the second quarter of 2014, and increased as a percentage of TMS revenues to 74.9% during the second quarter of 2015 from 73.4% during the second quarter of 2014.

Other Operating Expenses

Consolidated other operating expenses, which reflect the sum of personnel and related benefits, other operating expenses, and acquisition transaction expenses shown in our unaudited condensed consolidated statements of operations, increased by \$20.9 million, or 18.6%, to \$133.1 million during the second quarter of 2015 from \$112.2 million during the second quarter of 2014.

Within our TL business, other operating expenses increased by \$18.4 million, or 29.4%, to \$80.8 million during the second quarter of 2015 from \$62.4 million during the second quarter of 2014, primarily as a result of our acquisitions of ISI and Active Aero. As a percentage of TL revenues, other operating expenses increased to 27.3% during the second quarter of 2015 from 27.1% during the second quarter of 2014.

Within our LTL business, other operating expenses increased by \$1.4 million, or 4.4%, to \$33.5 million during the second quarter of 2015 from \$32.1 million during the second quarter of 2014, primarily due to a \$1.4 million increase in recruiting-type costs. As a percentage of LTL revenues, other operating expenses increased to 24.1% during the second quarter of 2015 from 21.3% during the second quarter of 2014.

Within our TMS business, other operating expenses decreased by \$1.2 million, or 7.6%, to \$13.8 million during the second quarter of 2015 from \$15.0 million during the second quarter of 2014, primarily due to a shift from employee drivers to third party purchase providers which are included in purchase transportation costs. As a percentage of TMS revenues, other operating expenses decreased to 15.4% during the second quarter of 2015 from 18.3% during the

second quarter of 2014.

Other operating expenses that were not allocated to our TL, LTL, or TMS businesses increased to \$5.0 million during the second quarter of 2015 from \$2.7 million during the second quarter of 2014. This increase includes \$1.2 million of severance expenses related to the separation with a former company executive officer.

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Depreciation and Amortization

Consolidated depreciation and amortization increased to \$7.5 million during the second quarter of 2015 from \$5.7 million during the second quarter of 2014, reflecting increases in property, plant, and equipment attributable to our acquisitions and continued revenue growth along with increased amortization of customer relationship intangible assets of \$1.0 million. Depreciation and amortization within our TL business increased to \$5.5 million during the second quarter of 2015 from \$3.6 million during the second quarter of 2014. Within our LTL business, depreciation and amortization decreased to \$0.7 million during the second quarter of 2015 from \$1.0 million during the second quarter of 2014. Within our TMS business, depreciation and amortization increased to \$1.0 million during the second quarter of 2015 from \$0.7 million during the second quarter of 2014. Corporate depreciation and amortization decreased to \$0.3 million during the second quarter of 2015 from \$0.4 million during the second quarter of 2014.

Operating Income

Consolidated operating income was \$31.2 million during the second quarter of 2015 compared with \$27.0 million during the second quarter of 2014. As a percentage of revenues, operating income increased to 6.0% during the second quarter of 2015 from 5.9% during the second quarter of 2014.

Within our TL business, operating income increased by \$4.4 million, or 27.9%, to \$20.5 million during the second quarter of 2015 from \$16.1 million during the second quarter of 2014. As a percentage of TL revenues, operating income remained constant at 7.0% during the second quarter of 2015 and 2014, primarily as a result of the factors above.

Within our LTL business, operating income increased by \$0.5 million, or 5.5%, to \$8.4 million during the second quarter of 2015 from \$7.9 million during the second quarter of 2014. As a percentage of LTL revenues, operating income increased to 6.0% during the second quarter of 2015 from 5.3% during the second quarter of 2014, primarily as a result of the factors above.

Within our TMS business, operating income increased by \$1.6 million, or 26.1%, to \$7.7 million during the second quarter of 2015 from \$6.1 million during the second quarter of 2014. As a percentage of TMS revenues, operating income increased to 8.6% during the second quarter of 2015 from 7.4% during the second quarter of 2014, primarily as a result of the factors above.

Interest Expense

Interest expense increased to \$4.4 million during the second quarter of 2015 from \$2.9 million during the second quarter of 2014, primarily as a result of the increased debt resulting from our 2014 TL acquisitions of ISI and Active Aero.

Income Tax

Income tax provision was \$10.4 million during the second quarter of 2015 compared to \$9.3 million during the second quarter of 2014. The effective tax rate was 38.7% during both the second quarter of 2015 and 2014. The effective income tax rate varies from the federal statutory rate of 35.0% primarily due to state income taxes as well as the impact of items causing permanent differences.

Net Income Available to Common Stockholders

Net income available to common stockholders was \$16.5 million during the second quarter of 2015 compared to \$14.8 million during the second quarter of 2014.

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Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Revenues

Consolidated revenues increased by \$164.7 million, or 19.6%, to \$1,006.9 million during the first half of 2015 from \$842.2 million during the first half of 2014, the majority of which was attributable to the impact of our 2014 acquisitions.

TL revenues increased by \$153.0 million, or 36.0%, to \$577.7 million during the first half of 2015 from \$424.7 million during the first half of 2014, primarily due to the acquisitions of Rich Logistics, ISI, and Active Aero.

LTL revenues decreased by \$14.6 million, or 5.1%, to \$270.6 million during the first half of 2015 from \$285.2 million during the first half of 2014. LTL revenues were impacted year-over-year by a drop in fuel prices that resulted in a \$15.8 million, or 30.9%, decrease in fuel surcharge revenue and a 9.8% reduction in tonnage primarily due to changes in freight mix. These decreases were partially offset by a 12.1% increase in revenue per hundredweight excluding fuel from the prior year due to improved pricing and positive freight mix changes resulting from our pricing initiatives.

TMS revenues increased by \$33.2 million, or 24.0%, to \$171.7 million during the first half of 2015 from \$138.5 million during the first half of 2014. This growth was driven by our acquisition of Unitrans and organic growth.

Purchased Transportation Costs

Consolidated purchased transportation costs increased by \$95.2 million, or 16.4%, to \$674.6 million during the first half of 2015 from \$579.4 million during the first half of 2014.

TL purchased transportation costs increased by \$93.8 million, or 33.7%, to \$372.4 million during the first half of 2015 from \$278.6 million during the first half of 2014. This increase was the result of our TL acquisitions of Rich Logistics, ISI, and Active Aero. TL purchased transportation costs as a percentage of TL revenues decreased to 64.5% during the first half of 2015 from 65.6% during the first half of 2014.

LTL purchased transportation costs decreased by \$19.3 million, or 9.4%, to \$186.7 million during the first half of 2015 from \$206.0 million during the first half of 2014, and decreased as a percentage of LTL revenues to 69.0% during the first half of 2015 from 72.3% during the first half of 2014. Excluding fuel surcharges, our average linehaul cost per mile increased to \$1.25 during the first half of 2015 from \$1.27 during the first half of 2014.

TMS purchased transportation costs increased by \$27.7 million, or 27.5%, to \$128.5 million during the first half of 2015 from \$100.8 million during the first half of 2014, due to our acquisition of Unitrans and organic growth. TMS purchased transportation costs as a percentage of TMS revenues increased to 74.9% during the first half of 2015 from 72.8% during the first half of 2014.

Other Operating Expenses

Consolidated other operating expenses, which reflect the sum of personnel and related benefits, other operating expenses, and acquisition transaction expenses shown in our unaudited condensed consolidated statements of operations, increased by \$53.7 million, or 26.0%, to \$259.9 million during the first half of 2015 from \$206.2 million during the first half of 2014.

Within our TL business, other operating expenses increased by \$47.3 million, or 42.6%, to \$158.6 million during the first half of 2015 from \$111.3 million during the first half of 2014, primarily as a result of our acquisition Rich Logistics, ISI and Active Aero. As a percentage of TL revenues, other operating expenses was 27.5% during the first half of 2015 compared to 26.2% during the first half of 2014.

Within our LTL business, other operating expenses increased by \$2.5 million, or 4.0%, to \$65.3 million during the first half of 2015 from \$62.8 million during the first half of 2014, primarily due to a \$1.8 million increase in recruiting-type costs. As a percentage of LTL revenues, other operating expenses increased to 24.1% during the first half of 2015 from 22.0% during the first half of 2014.

Within our TMS business, other operating expenses increased by \$1.1 million, or 4.0%, to \$27.7 million during the first half of 2015 from \$26.6 million during the first half of 2014. TMS other operating expenses, as a percentage of TMS revenues, decreased to 16.1% during the first half of 2015 from 19.2% during the first half of 2014.

Other operating expenses that were not allocated to our TL, LTL, or TMS businesses increased to \$8.3 million during the first half of 2015 from \$5.5 million during the first half of 2014. This increase includes \$1.2 million of severance expenses related to the separation with a former company executive officer. Additionally, the increase was driven by

additions to our corporate wide integrated sales team, IT costs to further develop our IT platforms, and the addition of other key management personnel to execute our overall integrated growth strategy.

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Depreciation and Amortization

Consolidated depreciation and amortization increased to \$14.4 million during the first half of 2015 from \$10.5 million during the first half of 2014, reflecting increases in property, plant, and equipment attributable to our acquisitions and continued revenue growth along with increased amortization of customer relationship intangible assets of \$2.2 million incurred in connection with our 2014 acquisitions. Depreciation and amortization within our TL business increased to \$10.2 million during the first half of 2015 from \$6.8 million during the first half of 2014. Within our LTL business, depreciation and amortization was \$1.6 million during the both the first half of 2015 and 2014. Within our TMS business, depreciation and amortization increased to \$2.0 million during the first half of 2015 from \$1.5 million during the first half of 2014. At corporate, depreciation and amortization increased to \$0.7 million during the first half of 2015 from \$0.6 million during the first half of 2014.

Operating Income

Consolidated operating income was \$58.0 million during the first half of 2015 compared with \$46.2 million during the first half of 2014. As a percentage of revenues, operating income increased to 5.8% during the first half of 2015 from 5.5% during the first half of 2014.

Within our TL business, operating income increased by \$8.4 million, or 30.0%, to \$36.4 million during the first half of 2015 from \$28.0 million during the first half of 2014. As a percentage of TL revenues, operating income decreased to 6.3% during the first half of 2015 from 6.6% during the first half of 2014, primarily as a result of the factors above.

Within our LTL business, operating income increased by \$2.3 million, or 16.0%, to \$17.0 million during the first half of 2015 from \$14.7 million during the first half of 2014. As a percentage of LTL revenues, operating income increased to 6.3% during the first half of 2015 from 5.1% during the first half of 2014, primarily as a result of the factors above.

Within our TMS business, operating income increased by \$3.9 million, or 41.3%, to \$13.5 million during the first half of 2015 from \$9.6 million during the first half of 2014. As a percentage of TMS revenues, operating income increased to 7.9% during the first half of 2015 from 6.9% during the first half of 2014, primarily as a result of the factors above.

Interest Expense

Interest expense increased to \$9.0 million during the first half of 2015 from \$5.1 million during the first half of 2014, primarily as a result of the increased debt related to our 2014 acquisitions.

Income Tax

Income tax provision was \$19.0 million during the first half of 2015 compared to \$15.9 million during the first half of 2014. The effective tax rate was 38.7% during both the first half of 2015 and the first half of 2014. The effective income tax rate varies from the federal statutory rate of 35.0% primarily due to state income taxes as well as the impact of items causing permanent differences.

Net Income Available to Common Stockholders

Net income available to common stockholders was \$30.1 million during the first half of 2015 compared to \$25.2 million during the first half of 2014.

Liquidity and Capital Resources

Our primary sources of cash have been borrowings under our revolving credit facility, cash flows from operations, and proceeds from the sale of our common stock. Our primary cash needs are and have been to execute our acquisition strategy, fund normal working capital requirements, finance capital expenditures, and repay our indebtedness. As of June 30, 2015, we had \$6.5 million in cash and cash equivalents, \$89.3 million of availability under our credit facility, and \$192.0 million in net working capital. As we continue to execute on our acquisition and growth strategy, additional financing may be necessary within the next 12 months.

Although we can provide no assurances, amounts available under our credit facility, net cash provided by operating activities, and available cash and cash equivalents should be adequate to finance working capital and planned capital expenditures for at least the next 12 months. Thereafter, we may find it necessary to obtain additional equity or debt financing as we continue to execute our business strategy.

Our credit facility consists of a \$200.0 million term loan and a revolving credit facility up to a maximum aggregate amount of \$350.0 million, of which up to \$10.0 million may be used for Swing Line Loans (as defined in the credit agreement) and up to \$30.0 million may be used for letters of credit. The credit facility matures on July 9, 2019.

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Advances under our credit facility bear interest at either (a) the Eurocurrency Rate (as defined in the credit agreement), plus an applicable margin in the range of 2.0% to 3.0%, or (b) the Base Rate (as defined in the credit agreement), plus an applicable margin in the range of 1.0% to 2.0%.

Our credit agreement contains certain financial covenants, including a minimum fixed charge coverage ratio and a maximum cash flow leverage ratio. In addition, our credit agreement contains negative covenants limiting, among other things, additional indebtedness, capital expenditures, transactions with affiliates, additional liens, sales of assets, dividends, investments, advances, prepayments of debt, mergers and acquisitions, and other matters customarily restricted in such agreements. As of and during the three and six months ended June 30, 2015, we were in compliance with the financial covenants contained in the credit agreement. Our credit agreement also contains customary events of default, including payment defaults, breaches of representations and warranties, covenant defaults, events of bankruptcy and insolvency, failure of any guaranty or security document supporting the credit agreement to be in full force and effect, and a change of control of our business.

Cash Flows

A summary of operating, investing, and financing activities are shown in the following table (in thousands):

	Six Months Ended	
	June 30,	
	2015	2014
Net cash provided by (used in):		
Operating activities	\$19,963	\$3,504
Investing activities	(25,805	) (118,430
Financing activities	960	117,829
Net change in cash and cash equivalents	\$(4,882	) \$2,903

Cash Flows from Operating Activities

Cash provided by operating activities primarily consists of net income adjusted for certain non-cash items, including depreciation and amortization, share-based compensation, provision for bad debts, deferred taxes, and the effect of changes in working capital and other activities.

The difference between our \$30.1 million net income and the \$20.0 million cash provided by operating activities during the six months ended June 30, 2015 was primarily attributable to a \$28.0 million increase in our accounts receivable, a \$2.6 million decrease in accrued expenses, and excess tax benefit on share-based compensation of \$1.2 million, which was primarily offset by \$15.5 million of depreciation and amortization, a \$5.5 million increase in accounts payable, a \$2.4 million decrease in our prepaid expenses and other assets, \$1.6 million of share-based compensation, deferred tax provision of \$1.4 million, \$1.0 million of provision for bad debt, and loss on disposal of buildings and equipment of \$0.1 million.

Cash Flows from Investing Activities

Cash used in investing activities was \$25.8 million during the six months ended June 30, 2015, which reflects \$27.7 million of capital expenditures used to support our operations and \$0.1 million paid in connection with the purchase price adjustment related to the 2014 acquisition of Active Aero. These payments were offset by the proceeds from the sale of buildings and equipment of \$2.0 million.

Cash Flows from Financing Activities

Cash provided by financing activities was \$1.0 million during the six months ended June 30, 2015, which primarily reflects proceeds from the issuance of common stock upon the exercise of stock options of \$3.2 million and excess tax benefits on share-based compensation of \$1.2 million, offset by the payment of contingent earnouts of \$3.3 million and the reduction of a capital lease obligation of \$0.1 million.

Critical Accounting Policies and Estimates

In preparing our condensed consolidated financial statements, we applied the same critical accounting policies as described in our Annual Report on Form 10-K for the year ended December 31, 2014 that affect judgments and estimates of amounts recorded for certain assets, liabilities, revenues, and expenses.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Commodity Risk

In our TL, LTL, and TMS businesses, our primary market risk centers on fluctuations in fuel prices, which can affect our profitability. Diesel fuel prices fluctuate significantly due to economic, political, and other factors beyond our control. Our ICs and purchased power providers pass along the cost of diesel fuel to us, and we in turn attempt to pass along some or all of these costs to our customers through fuel surcharge revenue programs. There can be no assurance that our fuel surcharge revenue programs will be effective in the future. Market pressures may limit our ability to pass along our fuel surcharges.

Interest Rate Risk

We have exposure to changes in interest rates on our revolving credit facility and term loan. The interest rate on our revolving credit facility and term loan fluctuate based on the prime rate or LIBOR plus an applicable margin. Assuming our \$350.0 million revolving credit facility was fully drawn and taking into consideration the outstanding term loan of \$190.0 million as of June 30, 2015, a 1.0% increase in the borrowing rate would increase our annual interest expense by \$5.4 million. We do not use derivative financial instruments for speculative trading purposes and are not engaged in any interest rate swap agreements.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act")). Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2015, our disclosure controls and procedures were effective, with reasonable assurance, to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, misstatements, errors, and instances of fraud, if any, within our company have been or will be prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls also can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, internal controls may become inadequate as a result of changes in conditions, or through the deterioration of the degree of compliance with policies or procedures.

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PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

In the ordinary course of business, we are a defendant in several legal proceedings arising out of the conduct of its business. These proceedings include claims for property damage or personal injury incurred in connection with our services. Although there can be no assurance as to the ultimate disposition of these proceedings, we do not believe, based upon the information available at this time, that these property damage or personal injury claims, in the aggregate, will have a material impact on its consolidated financial statements. We maintain liability insurance coverage for claims in excess of \$500,000 per occurrence and cargo coverage for claims in excess of \$100,000 per occurrence. We believe we have adequate insurance to cover losses in excess of the deductible amount. As of June 30, 2015 and December 31, 2014, we had reserves for estimated uninsured losses of \$5.9 million and \$5.8 million, respectively.

In addition to the legal proceedings described above, like many others in the transportation services industry, we are a defendant in three purported class-action lawsuits in California alleging violations of various California labor laws. The plaintiffs in each of these lawsuits seek to recover unspecified monetary damages and other items. In addition, the California Division of Labor Standards and Enforcement has brought administrative actions against us on behalf of six individuals alleging that we violated California labor laws. Given the early stage of all of the proceedings described in this paragraph, we are not able to assess with certainty the outcome of these proceedings or the amount or range of potential damages or future payments associated with these proceedings at this time. We believe we have meritorious defenses to these actions and intend to defend these proceedings vigorously. However, any legal proceeding is subject to inherent uncertainties, and we cannot assure you that the expenses associated with defending these actions or their resolution will not have a material adverse effect on our business, operating results, or financial condition.

ITEM 1A. RISK FACTORS.

An investment in our common stock involves a high degree of risk. You should carefully consider the factors described in our Annual Report on Form 10-K for the year ended December 31, 2014 in analyzing an investment in our common stock. If any such risks occur, our business, financial condition, and results of operations would likely suffer, the trading price of our common stock would decline, and you could lose all or part of the money you paid for our common stock. In addition, the risk factors and uncertainties could cause our actual results to differ materially from those projected in our forward-looking statements, whether made in this report or other documents we file with the SEC, or our annual report to stockholders, future press releases, or orally, whether in presentations, responses to questions, or otherwise.

There have been no material changes to the Risk Factors described under “Part I - Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2014.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit
10.27	Separation Agreement and Release, dated June 10, 2015, by and between the Registrant and Brian J. van Helden
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a)
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a)
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer

101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ROADRUNNER TRANSPORTATION SYSTEMS, INC.

Date: August 3, 2015	By:	/s/ Mark A. DiBlasi Mark A. DiBlasi President and Chief Executive Officer (Principal Executive Officer)
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Date: August 3, 2015	By:	/s/ Peter R. Armbruster Peter R. Armbruster Chief Financial Officer, Treasurer, and Secretary (Principal Financial Officer and Principal Accounting Officer)
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